



Covid-19 – Government Support

Announced schemes and initiatives in the UK

Updated 3 April 2020



Assurance Advisory Corporate Finance Tax

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Introduction

The continuing announcements of financial support for the UK economy during the course of the last two weeks has been very welcome and we wanted to touch base with you again with an update on the various measures that have been announced by the UK Government.

The Covid-19 situation and the UK Government's response to it remain extremely fluid and we expect further detail in the coming days and weeks. In particular some further clarification is required around the income support and job retention schemes, and the grants to be distributed through the Local Authority network. Accordingly, whilst we hope you find this summary useful, we recommend that you take professional advice before taking action on the initiatives set out in this document

We remain committed to providing our clients with the advice and support they need during these challenging times and will provide further updates as the situation unfolds during the coming days and weeks. In the meantime, please do not hesitate to get in touch with your usual contact at BHP for any assistance you might need.



“Top tips”

1 - Cash is King

- Cash flow management and cash preservation are critical as headroom tightens, particularly when this happens at an extremely fast pace
- Short-term forecasting with regular updates is key in identifying “pinch points”
- Prepare monthly forecasts incorporating scenario planning and sensitivity analysis
- These exercises provide valuable time in decision making and implementing actions, alongside inspiring confidence with other stakeholders

2 – Proactively engage with existing lending partner(s)

- Early instigation of dialogue with existing lenders is key
- This provides the lender with more time to assess options and often results in a greater degree of flexibility in the available actions

3 – Temporary funding options

- HMRC are looking to be flexible with payment of tax liabilities with Time To Pay arrangements being agreed relatively easily
- Lenders will want to understand that this avenue of cash preservation has been pursued before taking decisions on new lending

4 – Furloughing

- Decide which employees to furlough and when their furlough period(s) start
- Factor the amount of grant to be claimed into forecasts
 - Lenders again will want to understand that this has been pursued
- Be sensitive to team dynamics when considering who to furlough
- Consider ways of staying in touch with furloughed employees. You are allowed to talk, but they cannot do work that helps the business operate

5 – Post Covid-19

- The working capital requirement of your business will, in many cases, increase which may create another “pinch point” in cash
- Consider the people resource your business will require after coming out of the current situation
 - Having sufficient resource to take advantage of the upturn will be key

6 – Ask for help

- Now more than ever is the time to ask for help
- Decision making can become clouded, with demands on time and resource from more sources than usual
- Having someone to lean on can be extremely valuable

Coronavirus Business Interruption Loan Scheme (“CBILS”)

To support SMEs with revenue of up to £45m with facilities guaranteed up to a maximum of £5m

Overview

- Provides loans from £1,000 up to a maximum of £5m per business
- Interest costs in the first 12 months covered by the Government
- Term of debt from 3 months up to a maximum of 6 years
- Government guarantees 80% of outstanding facility of each loan
- There are two strands of the scheme
 - <£250,000 – no Personal Guarantee (“PG”) will be required
 - >£250,000 – PGs may be required (at lender’s discretion) but recoveries are capped at 20% of the outstanding CBILS facility (after proceeds from business assets have been applied)
 - A Principal Private Residence cannot be used as security for a CBILS facility
- Administered by the British Business Bank, with loans provided by approximately [40 accredited lending partners](#) (including the high street banks and other specialist lenders)

Eligibility

- UK-based businesses with revenue up to £45m (increased from £41m in 20 March announcement)
- Must be in an eligible industrial sector (a wide definition, which typically excludes sectors that receive assistance from other sources eg agriculture, fishing, banking etc. (see [ineligible and restricted sector list](#)))

Applying

- Businesses are recommended to approach their existing lender in the first instance
- Types of finance include: term debt, overdraft, asset finance, invoice finance
- Requires a borrowing proposal, which will include monthly forecasts to assess funding requirement
- The scheme with revised requirement is open from 6 April 2020, the new terms will be backdated for facilities put in place since 23 March 2020
- **The borrowing company remains liable for the debt at all times**

Key considerations

- Lenders are **NOT** required to demonstrate a borrower’s ability to access funding under normal commercial terms
- Viability of the business prior to Covid-19 situation is key part of lender assessment
 - Will your business have the ability to repay the loan?
- Applicants are expected to highlight
 - Action already taken to preserve cash eg deferring HMRC liabilities, agreeing repayment holidays/extending terms on existing debt, extending terms with suppliers, furloughing staff
 - Funding requirement
- Lenders appear to be putting streamlined approval processes in place

See the BHP website for our one-page CBILS update



Coronavirus Job Retention Scheme (“CJRS”)

To support UK employers by covering up to 80% of the salary of “furloughed” workers

Overview

- To encourage UK entities to retain employees through the Covid-19 disruption
- Support to employers by covering up to 80% of the salary (PLUS Ers NI and a minimum pension contribution) of “furloughed” workers
- No limit has been placed on the amount an individual entity can apply for
- The support will be in the form of a grant, it is not repayable
- The scheme is being administered by HMRC through an online portal which is expected to be up and running by the end of April, with the commencement of grant payments around this time

Eligibility

- Covers all employers including companies, charities and recruitment agencies [agency workers paid through PAYE]
- Must have had a payroll system created and started on or before 28 February 2020
- These are no restrictions on the size of the applicable entity
- The cover is for employees who are “furloughed” rather than being made redundant
 - “furlough” definition: *grant leave of absence to*

Details currently available

- The grant will cover up to 80% of the current wage level of an employee who is defined as “furloughed” due to the Covid-19 disruption
- It is provided on the basis that the employee is retained on the employer’s payroll, or rehired if made redundant since 28 February 2020 – claims can be back dated to 1 March 2020
- The employee will be paid through payroll as normal, with the employer claiming a grant
 - The grant received will be capped at £2,500 per employee per month PLUS Ers NI and pension contribution (based on the subsidised amount)
 - Equates to an annual gross salary cap of £37,500
- The employer may choose to top up an employee’s salary beyond the 80%, but is not obliged to

Furloughed employees

- Must have been on the payroll at 28 February, on ANY TYPE of contract, including part-time, agency, zero hours
 - Employees hired since 28 February cannot be furloughed and claimed for
- Employers should discuss with their staff and make any changes to employment contracts by agreement
- An employee must be furloughed for a minimum of 3 weeks for the grant to be claimed, and can be put on furlough more than once while the scheme is open
- The employee cannot undertake any work for or on behalf of the employer whilst furloughed

[See the BHP website for our one-page CJRS update](#)



Self-employment Income Support Scheme

To support self-employed individuals
through Covid-19 disruption

Overview

- To support self-employed individuals or members of partnerships who have lost income as a result of Covid-19 disruption
- Intended to “mirror” the support provided to employed individuals through the Coronavirus Job Retention Scheme
- The support will be in the form of a grant of 80% of profits, it is not repayable
- The scheme is not yet open and is not expected to be until June, although the grant will be back dated to 1 March 2020
- In the meantime the Chancellor has stated that self-employed individuals can
 - Claim Universal Credit; and
 - Defer their 31 July 2020 tax payment to allow them to use this cash as a resource

Eligibility

- More than 50% of an individual's income must come from self-employment
- Must have lost trading/partnership profits as a result of the Covid-19 situation
- Must have recorded a trading profit of either
 - <£50,000 in 2018/19; or
 - An average of <£50,000 for the 3 years to 2018/19

Details currently available

- The grant will cover 80% of recorded trading profits, capped at a maximum of £2,500 per month for at least 3 months (ie to 31 May)
- HMRC will identify eligible taxpayers and contact them directly with guidance on how to apply
 - Individuals should not contact HMRC now as they will use existing information to check potential eligibility and invite applications once the scheme is operational
- Grants will be paid in a single lump sum direct to the individual's bank account
- Payments are expected to start at the beginning of June 2020

Other comments

- It is assumed that the “50%” test will be based on the individual's tax return ie self-employed income must account for more than half of taxable income, but this is to be clarified
- Unlike the equivalent company scheme [CJRS] self-employed individuals under this scheme are able to work AND claim the grant

HMRC Time-To-Pay Deferrals

HMRC dedicated Covid-19 line
0800 024 1222

Overview

- A dedicated HMRC Time-To-Pay ("TTP") helpline for businesses who have difficulty with paying their tax due to Covid-19
 - PAYE, National Insurance, VAT and Corporation Tax can be deferred.
- The number of the helpline is **0800 024 1222** (see other VAT specific contact numbers below)
- HMRC will assist with setting up TTP arrangement, suspending debt collection procedures and cancelling late payment penalties and occasionally interest

Other considerations

- Recent experience indicates that it is challenging getting access to HMRC advisors due to the volume of calls (approximately an hour's wait)
- TTP Deferrals are being agreed, but only when the liability exists, ie it has fallen due or is on HMRC's system
- Anecdotally HMRC are being more helpful than they might otherwise have been, albeit there is no formal guidance

VAT deferral

- All UK VAT registered businesses can defer VAT payments due between 20 March 2020 and 30 June 2020 until the end of the tax year
- No VAT registered business will need to make a VAT payment normally due with their VAT return to HMRC in this period. Payment of VAT will be deferred to the end of the tax year
- **Existing TTP arrangements** - The deferral does **not** automatically apply to TTP payments due between 20 March and 30 June. However HMRC are willing to defer these payments, and businesses need to contact HMRC's debt management on **0300 200 3835** to arrange this. Payment of the deferred amount will need to be made before 31 March 2021
- **Payments on Account** - The deferral will be applying to payments on account which are due between 20 March and 30 June
- **Customs Duty & Import VAT** - The VAT deferral does not apply to Duty & Import VAT due on goods being imported, although HMRC have set up a new debt management line dedicated to agreeing Customs Duty TTP arrangements for businesses struggling to pay the Duty on imports. The number for this is line **0300 322 9482**

- Typical responses from HMRC (when using the dedicated Covid-19 helpline) are
 - "3 month deferral" if a business has had to stop trading
 - "1 month deferral" if it is still trading, with the situation being reviewed in a month's time
- Recommend that, where possible, evidence is maintained of any agreements, including notes of telephone calls
- **Message is: use the helpline 0800 024 1222 and for those that are wanting access to CBILS [outlined earlier] lenders will want to understand what deferrals have been obtained for HMRC liabilities**



Assurance Advisory Corporate Finance Tax

Reminder – CANCEL your VAT Direct Debit

Retail, hospitality and leisure

Rates relief

- All businesses in these sectors will benefit from a 12-month exemption from business rates (regardless of rateable value)
 - Retail, Hospitality and Leisure sectors and nurseries on Ofsted's Early Years Register
 - This policy will apply from 1 April 2020 until 31 March 2021.
- Eligible firms should see their rates bill drop to £nil from 1 April automatically - no action is required on a business' part

The Retail and Hospitality Grant Scheme

- For businesses with rateable value
 - <£15,000 a grant of £10,000 will be paid
 - between £15,000 and £51,000, grants of up to £25,000 will be paid

Some regional contact details

- Sheffield City Council: phone 0114 224 5000 or email businesssheffield@sheffield.gov.uk
 - Applications are open – follow link above
- Leeds Local Authority are signposting to the [LEP](#) for triage across multiple issues
- Chesterfield Borough Council: phone 01246 345345
 - North Yorkshire County Council: grants being administered by District Councils
 - Doncaster County Council: phone 01302 735555

Small Business Grant Scheme

- The Government is making cash grants available to smaller firms who occupy a property
- Companies eligible for Small Business Rate Relief and Rural Rate Relief will get a grant of £10,000
- The grants will be administered by local authorities, which will receive the relevant funding from central government in early April and then contact businesses directly

Further thoughts

- More announcements are expected, however it's not anticipated that grants will be paid before early April
- The Chancellor's announcement on 16 March indicated that the £25,000 cash grant under the Retail and Hospitality Grant Scheme would be pro-rated depending on the rateable value of the property – this still requires clarifying
- It is also unclear how the grant will be applied to businesses with multiple sites with rateable values <£51,000 – individual authorities indicating it is per property
- The Government has also relaxed planning rules on restaurants and other hospitality businesses such as pubs to allow them to provide takeaways without having to seek prior permission

Statutory Sick Pay (“SSP”)

- There have as yet been no changes made to the SSP measures announced in the 11 March Budget, which set out that
 - workers will be entitled to SSP from day one of their illness rather than day four
 - The Government will underwrite the costs of SSP for up to two weeks for employees off work because of Covid-19
- Eligibility restricted to small and medium-sized business and employers with a workforce of less than 250 employees

Mortgage holders and renters

- The government has also worked with mortgage providers who will offer homeowners who are facing financial difficulties a repayment freeze of at least three months
- Individuals are advised to speak directly to their mortgage lender if they are facing or may face problems in meeting their monthly repayments. Borrowers have been assured they will not damage their credit ratings by taking a repayment holiday
- On 18 March this was extended to renters and landlords
 - emergency legislation to prevent landlords evicting tenants for a 3 month period (up to 20 June)
 - the 3 month mortgage repayment holiday will extend to landlords
 - post 3 months landlord and tenant expected to work together to establish an affordable repayment plan, taking account of the tenant's circumstances

Business interruption insurance

- Followed concern amongst hospitality and leisure businesses that they would be unable to claim on insurance policies because the Government had not directly ordered them to close
- However, the Government's advice was sufficient for firms to make claims on policies that explicitly provide protection against pandemics and government-ordered closure, and these are now expected to be settled by insurers
- Indications are that there is only a very small percentage of firms that will have insurance policies with pandemic cover, possibly <1%

Deferral of Income Tax Self Assessment payments

- All self-employed individuals are eligible
- All on account income tax payments due on 31 July 2020 under Self-Assessment will be deferred until 31 January 2021
- It is anticipated that this will also include partners in trading partnerships
- No application is required, this deferral will apply automatically

Other areas (1)

Financial reporting and filing

- From 25 March 2020 companies will be able to apply for a 3-month extension for filing their accounts.

Proposed changes to UK insolvency laws

- UK Government has announced proposed changes in response to Covid-19
- Wrongful trading – there will be a temporary suspension of wrongful trading provisions for company directors to remove the threat of personal liability, applied from 1 March 2020
- New legislation will implement previously trailed changes to restructuring procedures
 - Ability to bind dissenting stakeholders to a restructuring plan
 - Short moratorium that will allow companies in difficulty time to explore options for rescue and during which time they will be allowed to trade
- The Government plans to bring forward legislation to the above effect “at the earliest opportunity”, albeit the exact timing remains uncertain

Coronavirus Large Business Interruption Loan Scheme (“CLBILS”)

- A loan guarantee scheme for medium and large companies will be introduced
- It is expected that companies with a turnover of between £45m and £500m will be eligible
- Loans of up to £25m will be available

Covid-19 Corporate Finance Facility (“CCFF”)

- To support the liquidity of larger corporates (ie that make “a material contribution to the UK economy”) through the issue of Commercial Paper
- Applicable to plcs and large corporates with experience of and adequate systems for the issue of Commercial Paper
- May not be readily accessible to privately owned mid-tier corporates (ie those with turnover >£45m that will not be ineligible for CBILS) who are likely to have a relative lack of experience and systems in accessing debt through money markets

IR35 legislation

- The proposed IR35 legislation has been delayed until April 2021 to assist businesses and contractors through the current Covid-19 disruption

Other areas (2)

Commercial tenants – Moratorium on Forfeiture

- The Coronavirus Act has introduced a 'Moratorium on Forfeiture' for commercial tenants
- The act gives business tenants temporary protection for non-payment of rents by preventing landlords from enforcing their right of forfeiture and evicting the tenant
- This covers non-payment of any sum a tenant might be liable for under the relevant tenancy, so may be wider than just the rent payment
- It is important to note that the moratorium doesn't remove the right of forfeiture, it temporarily removes it (currently until the 30th June, but this may be subject to extension) and it is not a payment holiday. All amounts due under the lease remain due and payable
- Other remedies remain available to a landlord

Making Tax Digital VAT implementation extension

- HMRC has confirmed an extension to the deadline for implementing digital links for Making Tax Digital ["MTD"] for VAT
- All MTD businesses are being provided with more time to put in place digital links between all parts of their functional compatible software. They now have until **their first VAT return period starting on or after 1 April 2021** to put digital links in place

Contact us

We have a team at BHP to help and support our clients with their funding requirements during this period. Should you wish to speak to us please do not hesitate to contact one of the individuals below from our Corporate Finance and Debt Advisory teams. Alternatively, your regular contact at BHP will be pleased to discuss how we can be of help.



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